KIRIN

KIRIN HOLDINGS COMPANY, LIMITED

February 14, 2019

SUMMARY OF CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2018 (UNDER IFRS) (UNAUDITED)

(English Translation)

Fiscal year ended December 31, 2018

KIRIN HOLDINGS COMPANY, LIMITED

NAKANO CENTRAL PARK SOUTH, 10-2, Nakano 4-chome, Nakano-ku, Tokyo, Japan (URL https://www.kirinholdings.co.jp/english/)

Code No.:	2503
Shares Listed:	Tokyo, Nagoya, Sapporo and Fukuoka
Representative:	Mr. Yoshinori Isozaki, President and CEO
For further information, please contact:	Mr. Tetsuya Fujiwara, Director of Group Corporate Communications
	Telephone: +81-3-6837-7015 from overseas
Scheduled date of general meeting of shareholders held:	March 28, 2019
Commencement date of dividend distribution scheduled:	March 29, 2019
Submission date of securities report scheduled:	March 28, 2019
Preparation of supplementary documents to the financial results:	Yes
Holding of financial results presentation (for institutional investors and analysts):	Yes

1. Consolidated business results and financial position for the current fiscal year (January 1, 2018 – December 31, 2018)

[Unit: Japanese yen (¥)]

(1) Results of operations: (Amounts are rounded to the nearest ¥1 million.)

(Percentage change compares current results with those of the same period of the previous year)

	Revenue (¥ millions)	Percentage change (%)	Normalized operating profit (¥ millions)	Percentage change (%)	Profit before tax (¥ millions)	Percentage change (%)
Fiscal year ended						
December 31, 2018	1,930,522	3.6	199,327	2.4	246,852	5.6
December 31, 2017	1,863,730	0.5	194,609	6.9	233,711	12.3

	Profit (¥ millions)	Percentage change (%)	Profit attributable to owners of the Company (¥ millions)	Percentage change (%)	Total comprehensive income (¥ millions)	Percentage change (%)
Fiscal year ended						
December 31, 2018	195,211	(26.8)	164,202	(32.1)	127,652	(59.4)
December 31, 2017	266,745	60.4	241,991	62.5	314,662	207.1

	Basic earnings per share (¥)	Diluted earnings per share (¥)	Ratio of profit to equity attributable to owners of the Company (%)	Ratio of profit before tax to total assets (%)	Ratio of normalized operating profit to revenue (%)
Fiscal year ended					
December 31, 2018	183.57	183.53	17.5	10.5	10.3
December 31, 2017	265.17	265.14	29.1	9.7	10.4

Reference: Share of profit of equity-accounted investees Fiscal year ended December 31, 2018 ¥28,448 million

Fiscal year ended December 31, 2017 ¥26,519 million

Operating profit	Fiscal year ended December 31, 2018	¥198,322 million	(6.0%)
	Fiscal year ended December 31, 2017	¥211,000 million	7.3%
Ratio of operating profit to revenue	Fiscal year ended December 31, 2018	10.3%	
	Fiscal year ended December 31, 2017	11.3%	

* Normalized operating profit is a profit indicator for measuring recurring performance which is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.

Note: In accordance with the settlement of the provisional accounting treatment related to the acquisition of a business conducted in the fiscal year ended December 31, 2017, the financial figures for that year have been revised retroactively.

(2) Financial position:

	Total assets (¥ millions)	Total equity (¥ millions)	Equity attributable to owners of the Company (¥ millions)	Equity ratio attributable to owners of the Company (%)	Equity per share attributable to owners of the Company (¥)
As of					
December 31, 2018	2,303,624	1,200,920	916,080	39.8	1,043.37
December 31, 2017	2,398,572	1,229,139	957,828	39.9	1,049.55

Note: In accordance with the settlement of the provisional accounting treatment related to the acquisition of a business conducted in the fiscal year ended December 31, 2017, the financial figures for that year have been revised retroactively.

(3) Cash flows:

	Cash flows from operating activities (¥ millions)	Cash flows from investing activities (¥ millions)	Cash flows from financing activities (¥ millions)	Cash and cash equivalents at end of year (¥ millions)
Fiscal year ended December 31, 2018	198,051	47,389	(226,699)	173,102
Fiscal year ended December 31, 2017	221,710	63,214	(182,163)	161,987

2. Dividends

	Annual dividends				
	First quarter (¥)	Second quarter (¥)	Third quarter (¥)	Year-end (¥)	Total (¥)
Fiscal year ended December 31, 2017	–	20.50	–	25.50	46.00
Fiscal year ended December 31, 2018	–	24.00	–	27.00	51.00
Fiscal year ending December 31, 2019 (Forecast)	–	31.50	–	31.50	63.00

	Total amount of dividends (¥ millions)	Dividend pay-out ratio (%)	Ratio of dividends to equity attributable to owners of the Company (%)
Fiscal year ended December 31, 2017	41,980	17.3	5.0
Fiscal year ended December 31, 2018	45,258	27.8	4.9
Fiscal year ending December 31, 2019 (Forecast)		46.1	

3. Forecast consolidated business results for the next fiscal year (January 1, 2019 - December 31, 2019)

(Percentage change compares forecast results with actual results of the previous year)

	Revenue (¥ millions)	Percentage change (%)	Normalized operating profit (¥ millions)	Percentage change (%)	Profit before tax (¥ millions)	Percentage change (%)
Fiscal year ending December 31, 2019	2,000,000	3.6	190,000	(4.7)	190,000	(23.0)

	Profit (¥ millions)	Percentage change (%)	Profit attributable to owners of the Company (¥ millions)	Percentage change (%)	Basic earnings per share (¥)
Fiscal year ending December 31, 2019	139,000	(28.8)	120,000	(26.9)	136.67

Reference: Operating profit Fiscal year ending December 31, 2019 ¥162,500 million (18.1%)

* Notes

(1) Changes in significant subsidiaries for the fiscal year ended December 31, 2018 (Changes in specified subsidiaries accompanying change in scope of consolidation): Yes

Newly included: ー

Excluded: 1 company
Great Northern Developments Limited

(2) Changes in accounting policies and changes in accounting estimates

i.	Changes in accounting policies required by IFRS:	None
ii.	Changes in accounting policies due to other reasons:	None
iii.	Changes in accounting estimates:	None

(3) Number of shares outstanding (ordinary shares)

i. Number of shares outstanding at the end of the period (including treasury shares)

As of December 31, 2018	914,000,000 shares
As of December 31, 2017	914,000,000 shares

ii. Number of treasury shares at the end of the period

As of December 31, 2018	36,001,121 shares
As of December 31, 2017	1,394,366 shares

iii. Average number of shares during the period

For the fiscal year ended December 31, 2018	894,506,056 shares
For the fiscal year ended December 31, 2017	912,579,083 shares

* The summary of consolidated financial results is not subject to audit by certified public accountants or an audit corporation.

* Information about proper usage of forecast business results, and other special instructions

(1) The statements concerning future performance that are presented in this document are based on judgments using information available to Kirin Holdings and the Kirin Group as of the release date of this material. Certain risks and uncertainties could cause the results of Kirin Holdings and the Kirin Group to differ materially from any projections presented herein. These risks and uncertainties include, but are not limited to, the economic circumstances surrounding the Company's businesses, market trends, and exchange rates.

(2) The Company will post the Supplementary Documents to the Financial Results today, Thursday, February 14, and will post the presentation materials from the financial results presentation to be held on Friday, February 15, the presentation content (video) and the main Q&A at the meeting as soon as possible on the Company's website.
(URL of the Company's website)
https://www.kirinholdings.co.jp/english/ir/event/explain/index.html

ATTACHED MATERIALS

INDEX

1. KIRIN GROUP'S CURRENT BUSINESS PERFORMANCE 2

(1) STATEMENT OF BUSINESS ACTIVITIES AND RESULTS 2

(2) FINANCIAL POSITION 8

(3) BASIC POLICY AND DISTRIBUTION OF PROFITS AND DIVIDEND FOR 2018 AND 2019 9

2. BASIC RATIONALE FOR SELECTION OF ACCOUNTING STANDARDS 9

3. CONSOLIDATED FINANCIAL STATEMENTS 10

(1) CONSOLIDATED STATEMENT OF FINANCIAL POSITION 10

(2) CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME 12

CONSOLIDATED STATEMENT OF PROFIT OR LOSS 12

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 13

(3) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 14

(4) CONSOLIDATED STATEMENT OF CASH FLOWS 16

(5) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 18

(GOING CONCERN ASSUMPTION) 18

(SEGMENT INFORMATION) 18

(PER SHARE INFORMATION) 22

(SIGNIFICANT SUBSEQUENT EVENTS) 23

(OTHER) 24

4. OTHER 25

CHANGE OF DIRECTORS AND BOARD MEMBERS 25

1. KIRIN GROUP'S CURRENT BUSINESS PERFORMANCE

(1) STATEMENT OF BUSINESS ACTIVITIES AND RESULTS

The world economy remained firm during this fiscal year underpinned by the robust United States economy despite increasing uncertainty due to factors such as trade friction between the United States and China, the rapid slowdown in the Chinese economy, uncertainty in the European political situation, and economic slowdowns in emerging nations. Meanwhile, various global social issues were clarified through the SDGs[*1] and the Paris Agreement. Private enterprises are expected to help address these issues. In particular, climate change is becoming an issue that is shared on a global scale.

The Japanese economy grew gradually, backed by the tailwind of a favorable employment environment and rising capital investment needs. However, negative economic factors were seen, including restrictions on manufacturing and logistics caused by a number of natural disasters, and higher costs due to rising prices of crude oil and fresh food.

During this fiscal year, which is the final year of the "Kirin Group 2016-2018 Medium-Term Business Plan" ("2016 MTBP"), the Kirin Group worked to "restructure and revitalize Kirin, groupwide". The Group put top priority on initiatives to strengthen the revenue base of Kirin Brewery Company, Limited and strived to vitalize the maturing domestic alcoholic beverages market.

Furthermore, based on the Kirin Group's CSV[*2] Commitment formulated to realize the long-term management vision "New Kirin Group Vision 2021" ("New KV2021"), efforts were stepped up toward addressing the CSV priority issues. Specifically, these issues related to "health and well-being", "community engagement", "the environment" and "a responsible alcohol producer" in the alcoholic beverages, non-alcoholic beverages, pharmaceuticals and bio-chemicals businesses. Concerning "health and well-being", the value of the across-the-Group brand "iMUSE" were enhanced through efforts such as presenting new research results related to the Kirin Group's original material "Lactococcus lactis strain Plasma"[*3]. As for "community engagement", the Group supported the sustainable production of Japanese hops through strengthened collaboration with Tono city, Iwate prefecture, and others. With regard to "the environment", Kirin carried out climate change scenario analysis in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD[*4]) established by the Financial Stability Board.[*5] In December, Kirin became Japan's first food company to announce its support for the TCFD. We will continue to enhance disclosure of information regarding the risks and opportunities that climate change may present for the Kirin Group's businesses in the future.

As a result, for the fiscal year 2018, consolidated revenue increased due to higher revenue in the Japan Integrated Beverages Business driven by sales volume increase at Kirin Brewery Company, Limited, as well as a significant increase in revenue in the Other Overseas Integrated Beverages Business by sales volume increase at CCNNE[*6]. As for consolidated normalized operating profit[*7], although the year saw a profit decrease in the Overseas Integrated Beverages Business due to impact of exchange rate fluctuations in the Oceania Integrated Beverages Business, as well as that in the Pharmaceuticals and Bio-chemicals Businesses resulting from the exclusion of Kyowa Medex Co., Ltd. from consolidation, a significant profit increase in the Japan Integrated Beverages Business attributable to the strong performance of Kirin Brewery Company, Limited more than offset the decreases, contributing to the overall growth. Consolidated profit before tax increased due to the gain on transfer of all shares of Kirin-Amgen, Inc., as well as the gain on partial transfer of shares of Kyowa Medex Co., Ltd. Profit attributable to owners of the Company decreased from last year when the gain on transfer of all shares of Brasil Kirin had been recorded.

*1 The Sustainable Development Goals (SDGs) are international goals for the years 2016 to 2030 set out in the "2030 Agenda for Sustainable Development". The SDGs were adopted at the UN Sustainable Development Summit held in September 2015 building on the success of Millennium Development Goals (MDGs) formulated in 2001.

*2 Normalized operating profit is an indicator for measuring recurring performance of the Group. It is calculated by deducting cost of sales, selling expenses and general and administrative expenses from revenue.

*3 CSV is an acronym for "Creating Shared Value". CSV is an initiative that seeks to enhance corporate value by addressing social issues. These initiatives seek to generate both "social benefits" and "economic benefits" for society.

*4 Lactococcus lactis strain Plasma is lactic acid bacteria, on which the Kirin Group has been conducting research through presentations at academic societies and publication of papers in academic journals. It is named after its capability of directly activating plasmacytoid dendritic cells, which acts as a "commander in chief" of the body's immune system.

*5 The Financial Stability Board is an international organization comprising representatives of the central banks, financial regulatory authorities, finance ministries, etc.of the world's major countries and regions.

*6 CCNNE is an acronym for the Coca-Cola Bottling Company of Northern New England, Inc., a wholly owned subsidiary that manufactures and sells non-alcoholic beverage products in the northeastern part of the United States.

*7 An indicator to measure recurring business performance, which is calculated by deducting cost of sales as well as selling, general and administrative expenses from revenue.

Consolidated revenue	1,930.5 billion yen, up 3.6%
Consolidated normalized operating profit	199.3 billion yen, up 2.4%
Consolidated profit before tax	246.9 billion yen, up 5.6%
Consolidated profit attributable to owners of the Company	164.2 billion yen, down 32.1%
(Reference)	
ROE	17.5%
Normalized EPS*	167 yen, up 10.6%

* Normalization: Non-recurring items such as Other operating income or expenses, etc. have been removed to more accurately reflect actual earnings.

Normalized EPS = Normalized profit / Average number of shares outstanding during period

Normalized profit = Profit attributable to Owners of the Company ± Other operating income and expenses and other items after income taxes

Results by segment are as follows.

Japan Integrated Beverages Business

Kirin Brewery Company, Limited focused on enhancing the appeal of beer products overall, while carrying out highly efficient marketing activities by narrowing down the brands. In the beer category, its flagship brand KIRIN ICHIBAN exceeded the industry average year on year. In particular, canned products performed strongly. Tap Marché[*1], which is aimed at expanding and vitalizing the craft beer[*2] market, offered a total of 19 brands from 7 breweries and was installed by a cumulative total of approximately 7,000 stores nationwide. In the new genre category, since its launch in March, Honkirin recorded the highest sales[*3] out of all the new beer products Kirin has newly launched in the past 10 years. Kirin Nodogoshi Nama resumed sales after its renewal in May. These and other factors contributed to a year-on-year increase in sales volume of the company's beer products overall, although the beer products market declined from the previous year. Overall sales volume in the RTD[*4] category, where the market is growing, recorded a significant year-on-year increase, driven by strong performance of our main product Kirin Hyoketsu and very favorable sales of Kirin Honshibori TM Chuhai and KIRIN The STRONG launched in April. Sales in the whiskey and spirits category increased from the previous year, mainly for imported whiskey products such as White Horse.

Mercian Corporation carried out marketing activities focused on priority brands in each wine category, with the aim of activating the wine business and reforming the revenue structure of the business. In the market for Japan wine, which is attracting greater attention, Château Mercian revamped its product portfolio and sales were strong. In the domestically produced wine category, favorable sales volume was recorded for the key brand Oishii-Sankaboshizai-Mutenka Wine. In the imported wine category, sales of main brands such as the daily-use wine Frontera and the medium-price range wine Casillero del Diablo were strong. In addition, raw material costs for wine increased due to a shortage of grapes on the market as a whole.

Kirin Beverage Company, Limited worked to build a more robust brand framework and strengthen its business base. With regard to its flagship brand Kirin Gogo-no-Kocha, Oishii Muto (sugar-free) responded to consumer needs and performed strongly, and Kirin Nama-cha, which was renewed in March, recorded an increase in sales volume for the third consecutive year. In addition, Kirin Lemon, which underwent renewal in April, was very well received, and the annual sales target was revised upward. However, sales volume stagnated for Kirin FIRE in the coffee category, due to the impact of the downward trend in the canned coffee market.

As a result, in the Japan Integrated Beverages Business, despite a deterioration in the product mix and container mix resulting from the lower sales volume of canned coffee at Kirin Beverage Company, Limited as well as a rise of raw material cost at Mercian Corporation, both revenue and normalized operating profit increased as a result of increased sales volumes of beer products mainly in the new-genre category and higher sales volumes in the RTD category at Kirin Brewery Company, Limited.

*1 Tap Marché is a system that enables customers to enjoy a variety of craft beers by having restaurants install a small dispenser developed by Kirin that can serve several types of beer.

*2 Craft beer is a type of beer that lets customers enjoy different flavors and distinctive characteristics, reflecting the personality and passion of the brewer.

*3 Comparison based on actual cumulative shipments for the 7 months following the launch.

*4 RTD is an acronym for “Ready to Drink” and refers to premixed low alcoholic beverages that can be enjoyed straight from the can or bottle.

Japan Integrated Beverages Business 2018 results:
Consolidated revenue 1,078.3 billion yen, up 2.6%
Consolidated normalized operating profit 81.2 billion yen, up 11.9%

Overseas Integrated Beverages Business

In the Beer, Spirits and Wine Business, Lion Pty Limited pressed ahead with its drive to strengthen the brands in growth categories based on its brand portfolio strategy aimed at recovering medium- to long-term profits. As a result, sales were strong for the IRON JACK brand as well as for FURPHY and James Squire, which are being rolled out nationwide. Overseas expansion of craft beer was also promoted at an accelerated pace. Although there was the impact of the introduction of the Container Deposit Scheme in the States of New South Wales and Queensland, sales volume in the Beer, Spirits and Wine Business as a whole remained steady. In Lion’s Dairy and Drinks Business, continued efforts were made to strengthen the brands mainly in focused categories. Sales volume increased year on year for the leading brand Dare in the dairy beverage category and for the Farmers Union brand in the yogurt category. However, sales volume in the Dairy and Drinks Business as a whole decreased year on year, reflecting a decline in sales volume of ambient and chilled juice in large containers.
In October 2018, Kirin and Lion announced they had commenced a sale process of the Lion Dairy and Drinks Business. The business has a sound platform for growth and future vision to become the leading nutritional food and beverages company in the region. Executing this vision will require new capabilities, accelerated innovation and capital investments. After careful consideration, it was decided that separating the businesses via a sale of the Dairy and Drinks Business was the best path to set both Lion and the Dairy and Drinks Business up with the capital, resources and expertise needed to win into the future.
At Myanmar Brewery Limited, the flagship product Myanmar Beer performed strongly, mainly for canned products. In the economy category, sales volume of Andaman Gold increased significantly after stabilization of supply as a result of expanding production capacity.
CCNNE10, which operates a Coca Cola bottling business in North America, increased its sales volume considerably by expanding its business area.
As a result, the Oceania Integrated Beverages Business achieved a higher profit margin due to strong sales at Lion and cost reduction resulting from improved production efficiency. As for Lion’s Dairy and Drinks business, despite a year-on-year decline in the sales volumes, the progress in the business structure reform contributed to the improved profitability. However, due to the appreciation of the Yen compared to last year, the Oceania Integrated Beverages Business as a whole saw decreases in both revenue and normalized operating profit.
The Other Overseas Beverages Business recorded a significant increase in revenue, buoyed by an increase in the sales volumes at Myanmar Brewery as well as those at CCNNE which expanded its service area. As for normalized operating profit, while Myanmar Brewery recorded a year-over-year increase, CCNNE marked a decrease due to an upsurge of raw material cost and adverse impact of exchange rates.

Oceania Integrated Beverages Business 2018 results:
Consolidated revenue 329.5 billion yen, down 5.5%
Consolidated normalized operating profit 51.7 billion yen, down 1.7%

Other Overseas Integrated Beverages Business 2018 results:
Consolidated revenue 167.4 billion yen, up 67.5%
Consolidated normalized operating profit 13.4 billion yen, down 2.6%

Pharmaceuticals and Bio-chemicals Businesses

In the Pharmaceuticals Business, Kyowa Hakko Kirin Company, Limited aimed to evolve into a “Global Specialty Pharmaceutical Company”[*1] by maximizing the value of global strategic products. It also worked to increase market penetration of existing products primarily through its newly launched product lineup, enhance customer relationships in each region in order to contribute to local medical care by providing high-quality healthcare information, and invest in new product development pipelines. In the domestic market, revenue in Japan decreased year on year due to the impact of the exclusion of Kyowa Medex Co., Ltd. from the scope of consolidation, in addition to the drug price revision implemented in April, the

penetration of generics following government measures to reduce medical costs, and the impact of rival products. Meanwhile, performance was strong for G-Lasta[*2], an agent for decreasing the incidence of febrile neutropenia, NOURIAST, a treatment for Parkinson's disease, and Onglyza, a treatment for type 2 diabetes. In Europe and the United States, sales increased year on year due to steady market penetration of Crysvita[*3], a treatment for X-linked hypophosphatemia launched in 2018, and POTELIGEO[*4], a treatment for mycosis fungoides and Sézary syndrome, in addition to increased technology licensing revenue, etc.

In the Bio-chemicals Business, revenue in Japan decreased year on year due mainly to the impact of the sale of the plant growth regulators business in the previous year and the intensifying competition regarding some products overseas. On the other hand, profitability increased compared to the previous year due to cost improvements resulting from full-scale operations at its overseas plant and revised product composition.

As a result, the Pharmaceuticals and Bio-chemicals Businesses as a whole saw a significant increase in overseas sales. However, both revenue and normalized operating profit decreased due to the exclusion of Kyowa Medex Co., Ltd. from consolidation, domestic sales decrease due to lower drug prices under the revised drug price standard, and increase in selling and administrative expenses due to new product launch overseas.

*1 A "Global Specialty Pharmaceutical Company" is a pharmaceutical company that plays an active role on the world stage focused on the disease categories that are our strengths (mainly the fields of cancer, kidney diseases and immune diseases).

*2 G-Lasta is a drug to increase the number of neutrophils, which are a type of white blood cell.

*3 Crysvita is a drug to treat X-linked hypophosphatemia (XLH), an uncommon, primarily genetic disorder that inhibits growth and retention of bones. XLH is an uncommon disease that shows symptoms of rickets and osteomalacia.

*4 POTELIGEO is sold in Japan as a medicine to treat certain hematologic cancer.

Pharmaceuticals and Bio-Chemicals Businesses 2018 results:	
Consolidated revenue	339.3 billion yen, down 2.1%
Consolidated normalized operating profit	58.8 billion yen, down 5.5%

Under the 2016 MTBP, the Kirin Group worked on key initiatives, namely, "invest, strengthen and grow profit base in beer businesses", "restructure and revitalize low-profit businesses" and "invest to achieve outstanding growth in Pharmaceuticals and Bio-chemicals businesses", and achieved its basic policy to "restructure and revitalize Kirin, groupwide".

Meanwhile, turning to the business environment surrounding the Kirin Group, various social issues are becoming globalized and growing increasingly serious. In addition to the various impacts of the declining birthrate and aging population and the problem of medical costs in Japan, strict regulations on sugar and alcohol have become a real possibility worldwide. In order to achieve sustained growth in an unpredictable, uncertain and unstable era, companies are required to create both social value and economic value while moving forward with society.

In light of these environmental changes, the Kirin Group formulated its long-term management vision "Kirin Group Vision 2027" ("KV2027") along with the "Kirin Group 2019-2021 Medium-Term Business Plan" ("2019 MTBP") as the first three-year plan to realize KV2027. We also revised our corporate philosophy and established a new corporate slogan to clearly set out our goal of contributing to society through its business (please refer to previous page).

Under KV2027, the Kirin Group aims to become "a global leader in CSV, creating value across Food & Beverages to Pharmaceuticals". We will ramp up our efforts to resolve the key CSV issues, namely, "health and well-being", "community engagement", "the environment" and "a responsible alcoholic producer", based on the Kirin Group's CSV Commitment.

Under the recently formulated KV2027, we recategorized our existing business domains of "alcoholic beverages", "non-alcoholic beverages" and "pharmaceuticals and bio-chemicals" into the "Food & Beverages domain" and the "Pharmaceuticals domain", and established a new "domain bridging Pharmaceuticals and Food & Beverages" as a category spanning these two domains. In the Food & Beverages domain, which refers mainly to the alcoholic beverages and non-alcoholic beverages businesses, we will further strengthen our earnings capability and strive to nurture brands that make a deep impression on customers' hearts. In the Pharmaceuticals domain, we will pursue outstanding growth of Pharmaceuticals business with the aim of realizing a "Global Specialty Pharmaceutical Company" centered on Kyowa Hakko Kirin Company, Limited. With regard to the new domain bridging

Pharmaceuticals and Food & Beverages, the Kirin Group will take advantage of the assets and organizational capabilities it has cultivated to date to create and expand the business. In this way, we will respond to the health and well-being needs of our customers and contribute toward a spiritually rich society. Furthermore, in order to strengthen our organizational capabilities for innovation, we will press ahead with reforms in the areas of “consumer centric marketing”, “technology creating trusted value”, “ICT*accelerating value creation” and “diversity and inclusion, culture for innovation”.

In the 2019 MTBP, the Kirin Group lays new foundations to pave the way for KV2027 in the form of three growth scenarios: (1) bolster organizational capabilities in order to achieve innovation; (2) grow revenues from existing businesses; and (3) establish and foster new businesses bridging Pharmaceuticals and Food & Beverages. Moreover, over the next three years we will further ensure the growth of our businesses by investing a total of over one trillion yen allocated between growth investments in existing areas and strategic investments toward continuous growth. At the same time, we will maximize shareholder value by further enhancing shareholder returns.

In view of the formulation of KV2027, starting in fiscal year 2019, Kirin Group will reorganize its businesses into the following segments: “Japan Beer and Spirits Businesses”, “Japan Non-alcoholic Beverages Business”, “Oceania Integrated Beverages Business”, “Pharmaceuticals and Bio-chemicals Businesses” .

Furthermore, at a meeting of the Board of Directors held in February 2019, Kirin Holdings resolved to acquire 95% of shares in Kyowa Hakko Bio Co., Ltd., a wholly-owned subsidiary of Kyowa Hakko Kirin Co., Ltd. As Kirin Holdings pushes forward with the creation of businesses bridging Pharmaceuticals and Food & Beverages, this share acquisition was based on our view, reached upon consultation and review with Kyowa Hakko Kirin Co., Ltd., that turning Kyowa Hakko Bio Co., Ltd. into a direct subsidiary will generate group synergy and maximize the corporate value of both Kyowa Hakko Kirin Co., Ltd. and Kyowa Hakko Bio Co., Ltd.

* ICT is an acronym for “Information and Communication Technology”. ICT is a general term for technology related to information and communication, and has replaced the expression “Information Technology (IT)” that was used previously.

Consolidated Earnings Forecasts for the Fiscal Year 2019:		
Consolidated revenue	¥2,000.0 billion, up	3.6%
Consolidated normalized operating profit	¥190.0 billion, down	4.7%
Consolidated profit before tax	¥190.0 billion, down	23.0%
Profit attributable to owners of the Company	¥120.0 billion, down	26.9%
(Reference)		
ROIC	8.8%	
Normalized EPS	¥157, down	6.0%

Japan Beer and Spirits Businesses

Kirin Brewery Company, Limited will make concentrated investments in main brands, including renewing KIRIN ICHIBAN, Honkirin and Kirin Tanrei Green Label, and enhancing communication for Kirin Nodogoshi Nama. In the craft beer category, it will enhance the attractiveness of the market by expanding the number of stores installing Tap Marché so that it can provide a wider range of places for customers to experience craft beer. Support will also be directed to activities to ensure continued production of Japanese hops.

Furthermore, it will strengthen brand power with a focus on Kirin Hyoketsu and KIRIN The STRONG in the RTD category, and also the non-alcoholic beer-taste beverage Kirin Zero Ichi, to respond to changes in the market resulting from the revision of the Liquor Tax Act, the consumption tax increase, as well as diversification of consumers’ preference.

Japan Non-alcoholic Beverages Business

Kirin Beverage Company, Limited will continue to generate profit based on growth and aim to cultivate primarily its flagship brands Kirin Gogo-no-Kocha, Kirin Nama-cha and Kirin FIRE. It will also carry out new initiatives, such as product rollouts in the Health & Well-being domain as well as global expansion. In addition, it will strengthen its supply chain, including procurement, production and logistics, in order to create a sustainable framework.

Oceania Integrated Beverages Business

Lion Pty Limited is in the process of selling its Dairy and Drinks Business, and in the future will further develop the Beer, Spirits and Wine Business focused on beer. Lion's Beer, Spirits and Wine Business will work to strengthen brands in growth categories by continuing to carry out concentrated investment in main brands. In addition, with the aim of future profit growth, it will further accelerate expansion of the growing craft beer category and will nurture this category as a business pillar going forward.

Pharmaceuticals and Bio-chemicals Businesses

In the Pharmaceuticals Business, Kyowa Hakko Kirin Company, Limited will make further strides toward "evolving into a Global Specialty Pharmaceutical Company". To this end, it will expand sales of Crysvita and POTELIGEO, which are making steady progress globally, as revenue pillars and will steadily launch KW-6002 (Japanese product name NOURIAST) on overseas markets. In July 2019, it will change its company name to Kyowa Kirin Co., Ltd., transitioning to the new global organizational structure "One Kyowa Kirin". This transition aims to facilitate the global market launch of pharmaceutical products to follow the three mentioned above, and to expand new drug candidates.

In the Bio-chemicals Business, it will establish a quality assurance system globally and a stable production base, while working to develop new health food products that emphasize the functionality of materials.

Others

Mercian Corporation will strengthen its brands by pushing ahead further with selection and concentration of priority brands in each category in an effort to build a high-growth, high-profit product portfolio. For Château Mercian, it will contribute to vitalization of the regions and communities that support wine and grape production by strengthening CSV activities centered on the "three wineries".

Myanmar Brewery Limited will enhance its organizational capabilities focused on "realizing CSV management", "excellent marketing" and "excellent management systems". In order to respond to changes in competition and market environment in Myanmar, it will increase its presence in the market through balanced sales promotion activities and investments with a focus on Myanmar Beer and Andaman Gold.

At CCNNE, drastic structural reforms will be continued to improve earnings capability going forward, through measures such as reorganization of manufacturing bases.

(2) FINANCIAL POSITION

Total assets at the end of the current consolidated fiscal year were 2,303.6 billion yen, a decrease of 94.9 billion yen from the end of the previous consolidated fiscal year mainly due to declines in other non-current financial assets and non-current assets held for sale.

Equity decreased by 28.2 billion yen from the end of the previous consolidated fiscal year to 1,200.9 billion yen mainly due to an increase in treasury shares and a decrease in reserves, despite an increase in retained earnings.

Liabilities decreased by 66.7 billion yen from the end of the previous consolidated fiscal year to 1,102.7 billion yen mainly due to a decline in bonds and borrowings.

The balance of cash and cash equivalents (hereinafter referred to as "net cash") at the end of the current consolidated fiscal year was 173.1 billion yen, an increase of 11.1 billion yen from the end of the previous consolidated fiscal year. Consolidated cash flows were as follows.

Cash flows from operating activities

Net cash provided by operating activities decreased by 23.7 billion yen year on year to 198.1 billion yen. Outflow of working capital increased by 21.5 billion yen, while income taxes paid decreased by 21.2 billion yen.

Cash flows from investing activities

Net cash provided by investing activities decreased by 15.8 billion yen year on year to 47.4 billion yen. Outflow for acquisition of property, plant and equipment and intangible assets decreased by 0.9 billion yen year on year to 87.9 billion yen. On the other hand, the following inflows were generated: 85.1 billion yen from sale of equity-accounted investees; 30.4 billion yen from sale of investments; 18.7 billion yen from sale of property, plant and equipment and intangible assets; and 9.1 billion yen from sale of shares of subsidiaries.

Cash flows from financing activities

Net cash used in financing activities increased by 44.5 billion yen year on year to 226.7 billion yen. While proceeds of 30.6 billion yen and 25.0 billion yen were received from long-term borrowings and issuance of bonds, respectively, outflow included 100.1 billion yen for payment for acquisition of treasury shares, 70.0 billion yen for payment for redemption of bonds, 55.7 billion yen for dividends paid, and 54.9 billion yen for repayment of long-term borrowings.

Changes in Kirin Group's cash flow indices

	FY2017	FY2018
Equity ratio attributable to owners of the Company (%)	39.9	39.8
Equity ratio attributable to owners of the Company based on market capitalization (%)	108.1	87.6
Debt service coverage ratio (%)	247.7	241.5
Interest coverage ratio (times)	31.7	32.8

(Notes)

1. Equity ratio attributable to owners of the Company: Equity attributable to owners of the Company / Total assets
2. Equity ratio attributable to owners of the Company based on market capitalization: Market capitalization / Total assets
3. Debt service coverage ratio: Interest-bearing liabilities / Operating cash flow
4. Interest coverage ratio: Operating cash flow / Interest expense

* All indices are calculated from consolidated financial data.
* "Market capitalization" equals Market price on last trading day of the period x Total shares outstanding at the end of the period (excluding treasury shares).
* "Operating cash flow" refers to net cash provided by operating activities in the consolidated statement of cash flows. "Interest-bearing liabilities" refers to all liabilities with interest payable recorded in the liabilities section of the consolidated statement of financial position. "Interest expense" refers to the amount of interest paid recorded in the consolidated statement of cash flows.

(3) BASIC POLICY AND DISTRIBUTION OF PROFITS AND DIVIDEND FOR 2018 AND 2019

Based on the capital policy formulated in the Kirin Group 2019-2021 Medium-Term Business Plan (“2019 MTBP”), Kirin will allocate resources to its businesses and distribute profits to its shareholders as set out below.

Regarding resource allocation to businesses, giving top priority to investments (business and capital investments) that contribute to further enhancing and developing existing businesses that are highly profitable, Kirin will implement a stable and continuous allocation of resources to intangible assets (such as brands, research and development, information and communication technology (ICT), and human resources) that sustain the growth of future cash flows, as well as the creation of new businesses. Kirin will take a disciplined approach to investments in terms of maintaining and improving the Kirin Group’s capital efficiency.

Kirin also views the appropriate distribution of profits to shareholders as a key management matter. Kirin has raised the consolidated target payout ratio in the 2019 MTBP, and has continuously provided dividends based on a consolidated dividend payout ratio on normalized EPS of at least 40%. In addition, Kirin will consider opportunities to acquire treasury shares as flexible and additional shareholder returns, comprehensively taking into account various factors including optimum capital structure, market conditions and reserve funds after investments.

With regard to the distribution of surplus funds for 2018, based on a consolidated dividend payout ratio on normalized EPS of 30% set forth in the 2016 MTBP, Kirin’s Board of Directors made a resolution on an interim dividend of 24.0 yen per share and a year-end dividend of 27.0 yen per share, for an annual dividend totaling 51 yen per share (an increase of 5 yen per share from the previous year). The year-end dividend of 27.0 yen will be determined at the 180th General Meeting of Shareholders scheduled for March 28, 2019.

As for the distribution of surplus funds for 2019, Kirin aims for a consolidated dividend payout ratio on normalized EPS of at least 40% set forth in the 2019 MTBP, and plans to pay a full-year dividend of 63 yen per share.

2. BASIC RATIONALE FOR SELECTION OF ACCOUNTING STANDARDS

The Kirin Group has adopted International Financial Reporting Standards (“IFRS”) from the fiscal year ended December 31, 2017 to enhance the international comparability of its financial information in the capital market.

3. CONSOLIDATED FINANCIAL STATEMENTS
(1) CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(¥ millions)

	At December 31, 2017	At December 31, 2018
Assets		
Non-current assets		
Property, plant and equipment	551,194	527,039
Goodwill	260,414	244,222
Intangible assets	182,892	179,892
Equity-accounted investees	210,780	240,597
Other financial assets	208,545	177,787
Other non-current assets	15,799	13,653
Deferred tax assets	96,727	88,676
Total non-current assets	1,526,351	1,471,866
Current assets		
Inventories	195,136	204,837
Trade and other receivables	402,296	404,934
Other financial assets	3,362	6,713
Other current assets	34,168	42,172
Cash and cash equivalents	160,913	173,102
(Sub-total)	795,876	831,758
Assets held for sale	76,344	-
Total current assets	872,221	831,758
Total assets	2,398,572	2,303,624

(¥ millions)

	At December 31, 2017	At December 31, 2018
Equity		
Share capital	102,046	102,046
Share premium	2,208	2,238
Retained earnings	811,454	943,468
Treasury shares	(2,020)	(101,904)
Reserves	44,140	(29,767)
Equity attributable to owners of the Company	957,828	916,080
Non-controlling interests	271,311	284,840
Total equity	1,229,139	1,200,920
Liabilities		
Non-current liabilities		
Bonds and borrowings	362,622	317,937
Other financial liabilities	88,342	92,078
Defined benefit liability	66,016	68,441
Provisions	7,385	6,914
Other non-current liabilities	13,255	10,851
Deferred tax liabilities	18,851	16,534
Total non-current liabilities	556,472	512,755
Current liabilities		
Bonds and borrowings	123,852	97,057
Trade and other payables	224,270	227,137
Other financial liabilities	55,018	49,727
Current tax liabilities	9,853	17,339
Provisions	1,005	1,059
Other current liabilities	194,850	197,630
(Sub-total)	608,849	589,949
Liabilities associated with assets held for sale	4,111	-
Total current liabilities	612,960	589,949
Total liabilities	1,169,432	1,102,704
Total equity and liabilities	2,398,572	2,303,624

(2) CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(¥ millions)

	Year ended December 31, 2017	Year ended December 31, 2018
Continuing operations		
Revenue	1,863,730	1,930,522
Cost of sales	1,051,167	1,097,153
Gross profit	812,562	833,369
Selling, general and administrative expenses	617,953	634,041
Normalized operating profit	194,609	199,327
Other operating income	46,853	30,703
Other operating expenses	30,463	31,709
Operating profit	211,000	198,322
Finance income	4,829	9,181
Finance costs	11,084	8,881
Share of profit of equity-accounted investees	26,519	28,448
Gain on sale of equity-accounted investees	2,448	19,782
Profit before tax	233,711	246,852
Income tax expense	51,946	51,641
Profit from continuing operations	181,765	195,211
Discontinued operations		
Profit from discontinued operations	84,980	-
Profit	266,745	195,211
Profit attributable to:		
Owners of the Company	241,991	164,202
Non-controlling interests	24,753	31,009
Profit	266,745	195,211
Earnings per share (Yen)		
Basic earnings per share		
Continuing operations	172.05	183.57
Discontinued operations	93.12	-
Basic earnings per share	265.17	183.57
Diluted earnings per share		
Continuing operations	172.02	183.53
Discontinued operations	93.12	-
Diluted earnings per share	265.14	183.53

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(¥ millions)

	Year ended December 31, 2017	Year ended December 31, 2018
Profit	266,745	195,211
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in equity instruments measured at fair value through other comprehensive income	18,872	(3,292)
Remeasurements of defined benefit plans	10,282	(710)
Share of other comprehensive income of equity-accounted investees	492	224
Items that are or may be reclassified to profit or loss		
Foreign currency translation differences on foreign operations	7,388	(63,920)
Cash flow hedges	3,100	764
Share of other comprehensive income of equity-accounted investees	7,784	(626)
Total other comprehensive income	47,918	(67,559)
Comprehensive income	314,662	127,652
Comprehensive income attributable to:		
Owners of the Company	286,083	102,929
Non-controlling interests	28,579	24,723
Comprehensive income	314,662	127,652

(3) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2017

(¥ millions)

	Equity attributable to owners of the Company					
					Reserves	
	Share capital	Share premium	Retained earnings	Treasury shares	Net change in equity instruments measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at January 1, 2017	102,046	2	597,638	(2,127)	55,432	-
Profit	-	-	241,991	-	-	-
Other comprehensive income	-	-	-	-	18,149	8,726
Comprehensive income	-	-	241,991	-	18,149	8,726
Dividends from surplus	-	-	(36,959)	-	-	-
Acquisition of treasury shares	-	-	-	(56)	-	-
Disposal of treasury shares	-	0	-	1	-	-
Change of scope of consolidation	-	-	-	-	-	-
Share-based payments	-	76	-	162	-	-
Changes in the ownership interest of a subsidiary without a loss of control	-	2,130	-	-	(0)	-
Transfer from reserves to retained earnings	-	-	8,784	-	(58)	(8,726)
Other	-	-	-	-	-	-
Total transactions with owners of the Company	-	2,206	(28,175)	107	(58)	(8,726)
Balance at December 31, 2017	102,046	2,208	811,454	(2,020)	73,523	-

	Equity attributable to owners of the Company				Non-controlling interests	Total equity
	Reserves			Total		
	Foreign currency translation differences on foreign operations	Cash flow hedges	Total			
Balance at January 1, 2017	(41,736)	(5,131)	8,565	706,124	253,064	959,188
Profit	-	-	-	241,991	24,753	266,745
Other comprehensive income	14,116	3,100	44,092	44,092	3,826	47,918
Comprehensive income	14,116	3,100	44,092	286,083	28,579	314,662
Dividends from surplus	-	-	-	(36,959)	(9,740)	(46,699)
Acquisition of treasury shares	-	-	-	(56)	-	(56)
Disposal of treasury shares	-	-	-	1	-	1
Change of scope of consolidation	-	-	-	-	(3,267)	(3,267)
Share-based payments	-	-	-	239	135	374
Changes in the ownership interest of a subsidiary without a loss of control	268	-	268	2,397	2,537	4,935
Transfer from reserves to retained earnings	-	-	(8,784)	-	-	-
Other	-	-	-	-	2	2
Total transactions with owners of the Company	268	-	(8,517)	(34,378)	(10,332)	(44,711)
Balance at December 31, 2017	(27,352)	(2,031)	44,140	957,828	271,311	1,229,139

Year ended December 31, 2018

(¥ millions)

	Equity attributable to owners of the Company					
					Reserves	
	Share capital	Share premium	Retained earnings	Treasury shares	Net change in equity instruments measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at January 1, 2018	102,046	2,208	811,454	(2,020)	73,523	-
Profit	-	-	164,202	-	-	-
Other comprehensive income	-	-	-	-	(3,551)	(473)
Comprehensive income	-	-	164,202	-	(3,551)	(473)
Dividends from surplus	-	-	(44,823)	-	-	-
Acquisition of treasury shares	-	-	-	(100,041)	-	-
Disposal of treasury shares	-	0	-	1	-	-
Share-based payments	-	11	-	155	-	-
Changes in the ownership interest of a subsidiary without a loss of control	-	19	-	-	(0)	-
Transfer from reserves to retained earnings	-	-	12,635	-	(13,108)	473
Other	-	-	-	-	-	-
Total transactions with owners of the Company	-	29	(32,188)	(99,884)	(13,109)	473
Balance at December 31, 2018	102,046	2,238	943,468	(101,904)	56,863	-

	Equity attributable to owners of the Company				Non-controlling interests	Total equity
	Reserves			Total		
	Foreign currency translation differences on foreign operations	Cash flow hedges	Total			
Balance at January 1, 2018	(27,352)	(2,031)	44,140	957,828	271,311	1,229,139
Profit	-	-	-	164,202	31,009	195,211
Other comprehensive income	(58,016)	768	(61,273)	(61,273)	(6,286)	(67,559)
Comprehensive income	(58,016)	768	(61,273)	102,929	24,723	127,652
Dividends from surplus	-	-	-	(44,823)	(11,374)	(56,197)
Acquisition of treasury shares	-	-	-	(100,041)	-	(100,041)
Disposal of treasury shares	-	-	-	2	-	2
Share-based payments	-	-	-	166	89	254
Changes in the ownership interest of a subsidiary without a loss of control	2	-	1	20	116	136
Transfer from reserves to retained earnings	-	-	(12,635)	-	-	-
Other	-	-	-	-	(25)	(25)
Total transactions with owners of the Company	2	-	(12,634)	(144,677)	(11,194)	(155,871)
Balance at December 31, 2018	(85,366)	(1,263)	(29,767)	916,080	284,840	1,200,920

(4) CONSOLIDATED STATEMENT OF CASH FLOWS

(¥ millions)

	Year ended December 31, 2017	Year ended December 31, 2018
Cash flows from operating activities		
Profit before tax	233,711	246,852
Profit before tax from discontinued operations	19,778	-
Depreciation and amortization	68,942	67,946
Impairment losses	8,027	3,390
Gain on reversal of impairment losses	-	(3,360)
Interest and dividends received	(6,048)	(5,491)
Share of profit of equity-accounted investees	(26,519)	(28,448)
Interest paid	13,769	5,696
Gain on sale of property, plant and equipment and intangible assets	(34,538)	(12,397)
Loss on disposal and sale of property, plant and equipment and intangible assets	1,624	2,092
Gain on sale of shares of subsidiaries	(2,416)	(12,103)
Gain on sale of discontinued operations	(33,237)	-
Gain on sale of equity-accounted investees	(2,448)	(19,782)
Gain on transfer of business	(4,818)	-
(Increase) decrease in trade receivables	5,432	(15,154)
(Increase) decrease in inventories	(879)	(16,124)
Increase (decrease) in trade payables	(3,342)	5,262
Increase (decrease) in liquor taxes payable	(3,004)	2,706
Other	30,888	4,238
Sub-total	264,921	225,322
Interest and dividends received	24,923	18,684
Interest paid	(6,986)	(6,036)
Income taxes paid	(61,148)	(39,919)
Cash flows from operating activities	221,710	198,051

(¥ millions)

	Year ended December 31, 2017	Year ended December 31, 2018
Cash flows from investing activities		
Payments into time deposits	(54,939)	(4,726)
Proceeds from withdrawal of time deposits	54,557	4,443
Acquisition of property, plant and equipment and intangible assets	(88,828)	(87,885)
Proceeds from sale of property, plant and equipment and intangible assets	47,945	18,693
Acquisition of investments	(12,238)	(2,810)
Proceeds from sale of investments	7,625	30,368
Acquisition of business, net of cash acquired	(22,585)	-
Proceeds from settlement of consideration for acquisition of businesses	-	7,694
Proceeds from transfer of business, net of cash disposed of	6,136	-
Acquisition of shares of subsidiaries, net of cash acquired	-	(4,348)
Proceeds from sale of shares of subsidiaries, net of cash disposed of	25,691	9,087
Proceeds from sale of discontinued operations, net of cash disposed of	67,332	-
Acquisition of equity-accounted investees	(5,191)	(15,496)
Proceeds from sale of equity-accounted investees	2,739	85,059
Collection of loans receivable	37,600	5,800
Other	(2,630)	1,508
Cash flows from investing activities	63,214	47,389
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(15,707)	861
Increase (decrease) in commercial paper	(45,000)	-
Proceeds from long-term borrowings	-	30,552
Repayment of long-term borrowings	(86,580)	(54,857)
Proceeds from issuance of bonds	-	25,000
Payment for redemption of bonds	-	(70,000)
Payment for acquisition of treasury shares	(89)	(100,061)
Proceeds from settlement of derivatives	17,589	-
Dividends paid	(36,959)	(44,823)
Dividends paid to non-controlling interests	(8,892)	(10,892)
Other	(6,525)	(2,479)
Cash flows used in financing activities	(182,163)	(226,699)
Effect of exchange rate changes on cash and cash equivalents	(7,272)	(7,626)
Net increase (decrease) in cash and cash equivalents	95,489	11,115
Cash and cash equivalents at beginning of year	66,499	161,987
Cash and cash equivalents at end of year	161,987	173,102

Note: Cash flows related to discontinued operations are included in the consolidated statement of cash flows.

(5) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(GOING CONCERN ASSUMPTION)

There are no matters to report under this item.

(SEGMENT INFORMATION)

(1) Summary of reportable segments

The reportable segments of the Group are determined based on the operating segments which are constituent units of the Group whose separate financial information is readily available, and which are periodically examined by the Board of Directors for the purpose of deciding the allocation of management resources and evaluating the business results. The Group has identified four reportable segments, namely, "Japan Integrated Beverages Business," "Oceania Integrated Beverages Business," "Other Overseas Integrated Beverages Businesses" and "Pharmaceuticals and Bio-chemicals Businesses."

"Japan Integrated Beverages Business," for which KIRIN Company, Limited oversees the operations, conducts production and sale of alcoholic beverages, such as beer, *happo-shu*, new genre, wine, whiskey, spirits, and soft drinks in Japan, and includes businesses such as engineering and logistics.

"Oceania Integrated Beverages Business," for which Lion Pty Limited oversees the operations, conducts production and sale of beer, whiskey, spirits, dairy products, fruit juice and other products in the Oceania region.

"Other Overseas Integrated Beverages Businesses" comprises production and sale of beer in Myanmar, production and sale of soft drinks in North America region and other operating segments. These operating segments have been grouped after considering the similarities in products, services, markets, customers, economic characteristics (such as return on assets) and other factors.

"Pharmaceuticals and Bio-chemicals Businesses," for which Kyowa Hakko Kirin Company, Limited oversees the operations, conducts production and sale of pharmaceutical products, biochemical products and other products.

Inter-segment revenue or transfers are based on actual market prices.

In May 2017, the Group transferred Brasil Kirin Holding S.A. ("Brasil Kirin") in the Other Overseas Integrated Beverages Businesses to Bavaria S.A. (a subsidiary of Heineken International B.V.). Accordingly, profit or loss relating to Brasil Kirin is not included in information on reportable segments as profit or loss and cash flows relating to Brasil Kirin are classified as a discontinued operation.

(2) Information on reportable segments

Information related to each reportable segment is set out below.

At and for the year ended December 31, 2017

(¥ millions)

	Reportable segment				Others (Note 1)	Adjustment (Note 2)	Consolidated
	Integrated Beverages			Pharmaceuticals and Bio-chemicals			
	Japan	Oceania	Overseas - other				
Revenue from unaffiliated customers	1,050,975	348,637	99,948	346,708	17,462	-	1,863,730
Inter-segment revenue	5,606	33	14	7,456	772	(13,880)	-
Total revenue	1,056,580	348,670	99,962	354,164	18,234	(13,880)	1,863,730
Segment income (Note 3)	72,530	52,605	13,728	62,209	868	(7,330)	194,609
Other operating income							46,853
Other operating expenses							30,463
Finance income							4,829
Finance costs							11,084
Share of profit of equity-accounted investees							26,519
Gain on sale of equity-accounted investees							2,448
Profit before tax							233,711

(¥ millions)

	Reportable segment				Others (Note 1)	Adjustment (Note 2)	Consolidated
	Integrated Beverages			Pharmaceuticals and Bio-chemicals			
	Japan	Oceania	Overseas - other				
Segment assets	795,648	520,412	402,453	734,460	27,180	(81,581)	2,398,572
Other items							
Depreciation and amortization	25,234	13,207	4,754	22,032	576	(43)	65,760
Impairment losses (excluding financial assets)	94	653	-	7,279	0	-	8,027
Equity-accounted investees	14,568	5,550	188,805	1,857	-	-	210,780
Capital expenditures	31,401	25,051	6,682	22,333	1,511	(1,073)	85,906

Notes: 1. Others includes food businesses, such as dairy products and others.

2. Adjustments are as follows:

(1) Adjustment in segment income mainly includes inter-segment eliminations and corporate expenses not attributable to any reportable segment. The corporate expenses are mainly group administrative expenses incurred in the Company, a holding company.

(2) Adjustment in segment assets includes inter-segment asset and liability eliminations and corporate assets not attributable to any reportable segment. Corporate assets mainly consist of surplus funds (cash), long-term investments (equity instruments) and assets of the administrative department of the Company, a holding company.

3. Segment income represents normalized operating profit which is calculated by deducting the total of cost of sales and selling, general and administrative expenses from revenue.

At and for the year ended December 31, 2018

(¥ millions)

	Reportable segment				Others (Note 1)	Adjustment (Note 2)	Consolidated
	Integrated Beverages			Pharmaceuticals and Bio-chemicals			
	Japan	Oceania	Overseas - other				
Revenue from unaffiliated customers	1,078,348	329,499	167,409	339,274	15,992	-	1,930,522
Inter-segment revenue	4,832	35	16	7,977	730	(13,590)	-
Total revenue	1,083,180	329,534	167,425	347,251	16,722	(13,590)	1,930,522
Segment income (Note 3)	81,168	51,687	13,369	58,792	368	(6,055)	199,327
Other operating income							30,703
Other operating expenses							31,709
Finance income							9,181
Finance costs							8,881
Share of profit of equity-accounted investees							28,448
Gain on sale of equity-accounted investees							19,782
Profit before tax							246,852

(¥ millions)

	Reportable segment				Others (Note 1)	Adjustment (Note 2)	Consolidated
	Integrated Beverages			Pharmaceuticals and Bio-chemicals			
	Japan	Oceania	Overseas - other				
Segment assets	819,118	489,622	674,622	706,292	34,918	(420,948)	2,303,624
Other items							
Depreciation and amortization	26,361	12,496	6,618	22,221	389	(138)	67,946
Impairment losses (excluding financial assets)	1	786	1,078	1,367	157	-	3,390
Gain on reversal of impairment losses	-	-	-	3,360	-	-	3,360
Equity-accounted investees	14,119	9,068	200,239	8,887	8,284	-	240,597
Capital expenditures	38,027	20,746	8,402	20,234	314	280	88,004

Notes: 1. Others includes food businesses, such as dairy products and others.

2. Adjustments are as follows:

(1) Adjustment in segment income mainly includes inter-segment eliminations and corporate expenses not attributable to any reportable segment. The corporate expenses are mainly group administrative expenses incurred in the Company, a holding company.

(2) Adjustment in segment assets includes inter-segment asset and liability eliminations and corporate assets not attributable to any reportable segment. Corporate assets mainly consist of surplus funds (cash), long-term investments (equity instruments) and assets of the administrative department of the Company, a holding company.

3. Segment income represents normalized operating profit which is calculated by deducting the total of cost of sales and selling, general and administrative expenses from revenue.

(3) Geographic information

1) Revenue

(¥ millions)

	Year ended December 31, 2017	Year ended December 31, 2018
Japan	1,276,289	1,284,189
Oceania	341,920	321,412
Others	245,521	324,920
Total	1,863,730	1,930,522

Note: Revenue is classified by country or area based on customer location.

2) Non-current assets

(¥ millions)

	At December 31, 2017	At December 31, 2018
Japan	399,001	405,886
Oceania	369,774	334,538
Southeast Asia	101,808	90,998
Others	129,133	123,637
Total	999,716	955,058

Note: Non-current assets exclude financial instruments, deferred tax assets and defined benefit assets.

(4) Major customer

The unaffiliated customer which accounted for 10% or more of revenue on the consolidated statement of profit or loss was as follows:

(¥ millions)

	Related segment	Year ended December 31, 2017	Year ended December 31, 2018
Mitsubishi Shokuhin Company, Limited	Japan Integrated Beverages, other	205,972	215,641

(PER SHARE INFORMATION)

(1) Basis of calculation of basic earnings per share

The basis of calculation of basic earnings per share was as follows:

1) Profit attributable to ordinary shareholders of the Company (basic)

(¥ millions)

	Year ended December 31, 2017	Year ended December 31, 2018
Profit attributable to owners of the Company	241,991	164,202
Profit not attributable to ordinary shareholders of the Company	-	-
Profit attributable to ordinary shareholders of the Company	241,991	164,202
Profit from discontinued operations attributable to ordinary shareholders of the Company	84,980	-
Profit from continuing operations attributable to ordinary shareholders of the Company	157,011	164,202

2) Weighted-average number of ordinary shares (basic)

(Thousands of shares)

	Year ended December 31, 2017	Year ended December 31, 2018
Weighted-average number of ordinary shares	912,579	894,506

(2) Basis of calculation of diluted earnings per share

Diluted earnings per share were calculated as follows based on profit attributable to ordinary shareholders of the Company and weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares:

1) Profit attributable to ordinary shareholders of the Company (diluted)

(¥ millions)

	Year ended December 31, 2017	Year ended December 31, 2018
Profit attributable to ordinary shareholders of the Company	241,991	164,202
Adjustments for potential ordinary shares issued by subsidiary	(27)	(34)
Profit attributable to ordinary shareholders of the Company (diluted)	241,965	164,168
Profit from discontinued operations attributable to ordinary shareholders of the Company (diluted)	84,980	-
Profit from continuing operations attributable to ordinary shareholders of the Company (diluted)	156,985	164,168

2) Weighted-average number of ordinary shares (diluted)

(Thousands of shares)

	Year ended December 31, 2017	Year ended December 31, 2018
Weighted-average number of ordinary shares (basic)	912,579	894,506
Effect of dilution	-	-
Weighted-average number of ordinary shares (diluted)	912,579	894,506

(SIGNIFICANT SUBSEQUENT EVENTS)

(Change in reportable segments)

For the fiscal year ended December 31, 2018, the Group identified its reportable segments as “Japan Integrated Beverages Business,” “Oceania Integrated Beverages Business,” “Other Overseas Integrated Beverages Businesses” and “Pharmaceuticals and Bio-chemicals Businesses.” From the fiscal year ending December 31, 2019, the Group has reorganized its reportable segments into “Japan Beer and Spirits Businesses,” “Japan Non-alcoholic Beverages Business,” “Oceania Integrated Beverages Business,” and “Pharmaceuticals and Bio-chemicals Businesses.”

This change in reportable segments is made as a result of reviewing structures conducive to realizing future business strategies primarily in the Kirin Group 2019-2021 Medium-Term Business Plan. It has been decided, among other matters, that building a flexible organizational structure by integrating the Company and KIRIN Company, Limited is optimal for the Group to further promote businesses in a concerted manner.

The major change is that the former “Japan Integrated Beverages Business” has been separated into two new reportable segments, namely, “Japan Beer and Spirits Businesses” and “Japan Non-alcoholic Beverages Business.” In addition, the former “Other Overseas Integrated Beverages Business” is included in “Others .”

Information on revenue and income or expenses of each reportable segment for the fiscal year ended December 31, 2018 according to the new segmentation is as follows:

At and for the year ended December 31, 2018

(¥ millions)

	Reportable segment				Others (Note 1)	Adjustment (Note 2)	Consolidated
	Japan Beer and Spirits	Japan Non-alcoholic Beverages	Oceania Integrated Beverages	Pharmaceuticals and Bio-chemicals			
Revenue from unaffiliated customers	685,078	282,967	329,499	339,274	293,703	-	1,930,522
Inter-segment revenue	3,583	1,852	35	7,977	62,454	(75,901)	-
Total revenue	688,662	284,819	329,534	347,251	355,757	(75,500)	1,930,522
Segment income (Note 3)	82,680	23,325	51,828	58,792	18,994	(36,291)	199,327

Notes:1. “Others” includes the Wine business in Japan, the Alcoholic Beverages business in Myanmar, and the Non-alcoholic Beverage business in North America etc.

2. Adjustments are as follows:
   Adjustment in segment income mainly includes inter-segment eliminations and corporate expenses not attributable to any reportable segment. The corporate expenses are mainly group administrative expenses incurred in the Company, a holding company, and subsidiaries that perform some administrative functions.

3. Segment income represents normalized operating profit before management fee, which is calculated by deducting the total of cost of sales and selling, general and administrative expenses from revenue (normalized operating profit) and then adding back management fees paid to the Company.

(OTHER)

(Settlement of the provisional accounting treatment related to the acquisition of a business)

The Coca-Cola Bottling Company of Northern New England, Inc. acquired a business from Coca-Cola Refreshments USA, Inc. during the fiscal year ended December 31, 2017. This acquisition was accounted for based on the provisional amounts at December 31, 2017, as the purchase price allocation had not been completed. During the fiscal year ended December 31, 2018, the Coca-Cola Bottling Company of Northern New England has received the reimbursement, adjusted the acquisition cost, and the valuation of acquired assets and transferred liabilities has been completed. Based on the completed valuation, the provisional amounts recognized for property, plant and equipment, goodwill, intangible assets and other items at the date of the acquisition have been revised retroactively.

CHANGE OF DIRECTORS AND BOARD MEMBERS

Kirin Holdings Company, Limited hereby announces the change of Directors and Board Members as follows (Scheduled for the end of March 2019).

1. Change of Representatives

(1) New Representative Director
None

(2) Retiring Representative Director
None

Note: Yoshinori Isozaki (President & CEO) and Keisuke Nishimura (Representative Director of the Board, Executive Vice President) are scheduled to be reappointed.

2. Changes of Other Directors and Audit & Supervisory Board Members

(1) New Director of the Board

Name	New	Current
Noriaki Kobayashi	Director of the Board, Senior Executive Officer	Senior Executive Officer
Masakatsu Mori	Outside Director	Outside Audit & Supervisory Board Member
Hiroyuki Yanagi	Outside Director	

(2) Retiring Director of the Board

Name	New	Current
Yasuyuki Ishii		Director of the Board, Senior Executive Officer
Toshio Arima		Outside Director
Kimie Iwata		Outside Director

Note: Toshiya Miyoshi (Director of the Board, Senior Executive Officer), Noriya Yokota (Director of the Board, Senior Executive Officer), Shoshi Arakawa (Director of the Board) and Katsunori Nagayasu (Director of the Board) are scheduled to be reappointed.

3. Change of Audit & Supervisory Board Members

(1) New Audit & Supervisory Board Members

Name	New	Current
Keiji Kuwada	Audit & Supervisory Board Member	
Yoshiko Ando	Outside Audit & Supervisory Board Member	

(2) Retiring Audit & Supervisory Board Members

Name	New	Current
Motoyasu Ishihara		Audit & Supervisory Board Member
Masakatsu Mori	Outside Director	Outside Audit & Supervisory Board Member

Note: Akihiro Ito (Audit & Supervisory Board Member), Chieko Matsuda (Audit & Supervisory Board Member) and Yoshio Nakata (Audit & Supervisory Board Member) are during a term of office.

END

The Profile of candidate of new Director of the Board

Noriaki Kobayashi

Date of birth:	August 20, 1959
Experience:	
Mar 2017-present	Senior Executive Officer of Kirin Holdings and Director of the Board, Senior Executive Officer, President of R&D Division of Kirin Company
Mar 2015	Executive Officer, President of Production Division of Kirin Brewery
Mar 2014	Executive Officer, Director of Group R&D, Kirin Holdings and Executive Officer, General Manager of Technology, R&D Division, Kirin Company
Mar 2013	Executive Officer, General Manager of Production & Quality Control Department, Production Division, Kirin Beverage
Mar 2010	General Manager of Production & Quality Control Department, Logistics Division, Kirin Beverage
Apr 1983	Joined Kirin Brewery

Masakatsu Mori

Date of birth:	January 22, 1947
Experience:	
Apr 2018-present	Senior Advisor of International University of Japan
Mar 2015-present	Outside Audit & Supervisory Board Member, Kirin Holdings
Nov 2013	Vice Chairman of International University of Japan
Oct 2012	Trustee of International University of Japan
Oct 2009	President of International University of Japan
Sep 2007	Chief Corporate Advisor of Accenture Japan Ltd
Sep 2005	Chairman and Director of Accenture Japan Ltd
Apr 2003	Chairman and Management Director of Accenture Japan Ltd
Dec 1955	President and Management Director of Andersen Consulting
Feb 1989	Japan Representative of Andersen Consulting (Current Accenture Japan Ltd)
Apr 1969	Joined Arthur Andersen, LLP

Hiroyuki Yanagi

Date of birth:	November 20, 1954
Experience:	
Jan 2018-present	Chairman and Representative Director, Yamaha Motor Co., Ltd.
Mar 2010	President, Chief Executive Officer and Representative Director, Yamaha Motor Co., Ltd.
Mar 2009	Senior Executive Officer, Yamaha Motor Co., Ltd.
Mar 2007	Executive Officer, Yamaha Motor Co., Ltd.
Apr 1978	Joined Yamaha Motor Co., Ltd.

The Profile of candidate of new Audit & Supervisory Board Member

Keiji Kuwata

Date of birth: September 21, 1962

Experience:

Mar 2018-present	Senior Executive Officer, General Manager of Corporate Planning Department, Kirin Company
Mar 2017	Executive Officer, General Manager of Corporate Planning Department, Kirin Company
Mar 2016-present	Director of Corporate Strategy, Kirin Holdings
Apr 2015	Executive Officer, Deputy General Manager of Corporate Planning Department, Kirin Company
Mar 2013	Deputy General Manager of Corporate Planning Department, Kirin Company
Sep 2010	Director of the Board, General Manager of Eastern-Japan Regional Division, Kirin Logistics (current Kirin Group Logistics)
Mar 2009	Director of the Board, General Manager of Kanto-Region, Kirin Logistics
Apr 1985	Joined Kirin Brewery

Yoshiko Ando

Date of birth: March 17, 1959

Experience:

Jul 2017	Director-General for Human Resources Development, Ministry of Health, Labour and Welfare
Jun 2016	Director-General for Statistics and Information Policy, Ministry of Health, Labour and Welfare
Oct 2015	Director-General for Labour Policy Planning, Ministry of Health, Labour and Welfare
Jul 2014	Director-General, Equal Employment, Children and Families Bureau, Ministry of Health, Labour and Welfare
Jul 2013	Director-General, Industrial Accident Compensation Department, Labour Standards Bureau, Ministry of Health, Labour and Welfare
Jul 2011	Director-General of the Saitama Labor Bureau, Ministry of Health, Labour and Welfare
Jul 2007	Director, Equal Employment Policy Division, Equal Employment, Children and Families Bureau, Ministry of Health, Labour and Welfare
Apr 2003	Lieutenant-governor of Shiga prefecture
Apr 1982	Entered the Ministry of Labor

Supplementary Documents to the Consolidated Financial Statements for the Year Ended December 31, 2018

1. Summary of Consolidated Statement of Financial Position
2. Summary of Consolidated Statement of Profit or Loss, Indices, etc.
3. Revenue Details
4. Profit Details
5. Summary of Consolidated Statement of Cash Flows

KIRIN HOLDINGS COMPANY, LIMITED
February 14, 2019

1. Summary of Consolidated Statement of Financial Position

(¥ billions)

	As of December 31, 2018, Actual	As of December 31, 2017, Actual	Increase (decrease)	Description of changes
Non-current assets	1,471.9	1,526.4	(54.5)	
Property, plant and equipment	527.0	551.2	(24.2)	
Goodwill	244.2	260.4	(16.2)	
Intangible assets	179.9	182.9	(3.0)	
Equity-accounted investees	240.6	210.8	29.8	
Other	280.1	321.1	(41.0)	
Current assets	831.8	872.2	(40.5)	
Inventories	204.8	195.1	9.7	
Trade and other receivables	404.9	402.3	2.6	
Cash and cash equivalents	173.1	160.9	12.2	
Other	48.9	113.9	(65.0)	Decrease due to sale of assets held for sale, etc.
Total assets	2,303.6	2,398.6	(94.9)	
Equity	1,200.9	1,229.1	(28.2)	
Equity attributable to owners of the parent	916.1	957.8	(41.7)	
Non-controlling interests	284.8	271.3	13.5	
Non-current liabilities	512.8	556.5	(43.7)	
Bonds and borrowings	317.9	362.6	(44.7)	Decrease due to replacement of long-term's with short-term's, etc.
Other	194.8	193.8	1.0	
Current liabilities	589.9	613.0	(23.0)	
Bonds and borrowings	97.1	123.9	(26.8)	Increase due to replacement of long-term's with short-term's, and decrease due to repayment and redemption, etc.
Trade and other payables	227.1	224.3	2.9	
Other	265.8	264.8	0.9	
Total liabilities	1,102.7	1,169.4	(66.7)	
Total equity and liabilities	2,303.6	2,398.6	(94.9)	

* In accordance with the settlement of the provisional accounting treatment related to the acquisition of a business conducted in the fiscal year ended December 31, 2017, the financial figures for that year have been revised retroactively. (The same applies hereafter in "Supplementary Documents".)

2. Summary of Consolidated Statement of Profit or Loss, Indices, etc.

(1) Summary of Statement of Profit or Loss, Indices, etc.

(¥ billions)

	Year ended December 31, 2018, Actual	Year ended December 31, 2017, Actual	Increase (decrease)	
Revenue	1,930.5	1,863.7	66.8	3.6%
Gross profit	833.4	812.6	20.8	2.6%
Selling, general and administrative expenses	634.0	618.0	16.1	2.6%
Normalized operating profit	199.3	194.6	4.7	2.4%
Other operating income	30.7	46.9	(16.1)	(34.5%)
Other operating expenses	31.7	30.5	1.2	4.1%
Operating profit	198.3	211.0	(12.7)	(6.0%)
Finance income	9.2	4.8	4.4	90.1%
Finance costs	8.9	11.1	(2.2)	(19.9%)
Share of profit of equity-accounted investees	28.4	26.5	1.9	7.3%
Gain on sale of equity-accounted investees	19.8	2.4	17.3	708.2%
Profit before tax	246.9	233.7	13.1	5.6%
Income tax expense	51.6	51.9	(0.3)	(0.6%)
Profit from continuing operations	195.2	181.8	13.4	7.4%
Profit from discontinued operations	-	85.0	(85.0)	-
Profit	195.2	266.7	(71.5)	(26.8%)
Owners of the Company	164.2	242.0	(77.8)	(32.1%)
Non-controlling interests	31.0	24.8	6.3	25.3%
ROE	17.5%	29.1%		
Normalized EPS	¥167	¥151	¥16	10.6%
Revenue (excluding liquor tax)	1,636.5	1,574.3	62.2	4.0%
Normalized operating profit ratio (excluding liquor tax)	12.2%	12.4%		
Normalized EBITDA	279.9	272.3	7.6	2.8%
Net interest-bearing liabilities / Normalized EBITDA	0.86	1.19		

Normalized EPS = Normalized profit / Average number of shares outstanding during period

Normalized profit = Profit attributable to Owners of the Company± Other operating income and expenses and other items after income taxes

Normalized EBITDA = Normalized operating profit + Depreciation and amortization + Dividends received from equity-accounted investees

(2) Exchange Rate for the Consolidation of Profit or Loss of the Major Overseas Companies

(¥)

	Year ended December 31, 2018, Actual	Year ended December 31, 2017, Actual
Lion (AUD)	81.80	86.33
Myanmar Brewery (MMK ('000))	76.88	82.33

(3) Period for the Consolidation of Profit or Loss of the Major Overseas Company

	Year ended December 31, 2018, Actual	Year ended December 31, 2017, Actual
San Miguel Brewery	From October 2017 to September 2018	From October 2016 to September 2017

3. Revenue Details

(1) Revenue Details

(¥ billions)

	Year ended December 31, 2018, Actual	Year ended December 31, 2017, Actual	Increase (decrease)	
Revenue	1,930.5	1,863.7	66.8	3.6 %
Japan Integrated Beverages	1,078.3	1,051.0	27.4	2.6 %
Kirin Brewery	668.1	647.0	21.1	3.3 %
Kirin Beverage	284.8	285.7	(0.9)	(0.3 %)
Mercian	64.8	65.3	(0.5)	(0.8%)
Other and elimination	60.7	53.0	7.7	14.5 %
Overseas Integrated Beverages	496.9	448.6	48.3	10.8 %
Lion	329.5	348.7	(19.1)	(5.5%)
Beer, Spirits, and Wine	185.4	195.3	(9.9)	(5.1%)
Dairy and Drinks	144.2	153.4	(9.2)	(6.0%)
Myanmar Brewery	26.2	25.6	0.6	2.2 %
Other and elimination	141.2	74.3	66.9	90.0 %
Pharmaceuticals and Bio-chemicals	339.3	346.7	(7.4)	(2.1%)
Kyowa Hakko Kirin	347.3	354.2	(6.9)	(2.0%)
Pharmaceuticals	270.4	274.8	(4.3)	(1.6%)
Bio-chemicals	76.8	79.4	(2.6)	(3.2%)
Other and elimination	(8.0)	(7.5)	(0.5)	-
Other	16.0	17.5	(1.5)	(8.4%)

(Reference) Revenue excluding liquor tax

(¥ billions)

	Year ended December 31, 2018, Actual	Year ended December 31, 2017, Actual
Kirin Brewery	389.7	372.1

(2) Sales Volume Details of Major Business Companies

a. Kirin Brewery

	Year ended December 31, 2018		Year ended December 31, 2017	
	Actual	Increase (decrease)	Actual	Increase (decrease)
Sales volume	Thousand KL		Thousand KL	
Beer	590	(5.9%)	627	(3.3%)
Happo-shu	422	(7.3%)	455	(3.3%)
New genre	698	28.5%	543	(6.0%)
Sub-total	1,710	5.2 %	1,626	(4.2%)
RTD	359	13.1%	318	8.4%
Non-alcohol beverages	39	(5.6%)	42	58.7%

The above sales volume excludes exports and liquor tax exempts

b. Kirin Beverage Group

	Year ended December 31, 2018		Year ended December 31, 2017	
	Actual	Increase (decrease)	Actual	Increase (decrease)
Category	10,000 cases		10,000 cases	
Black tea	5,190	(2.0%)	5,293	0.5%
Japanese tea	3,451	11.8%	3,086	7.2%
Coffee	2,632	(14.5%)	3,080	(4.8%)
Fruit and vegetable juice	2,530	2.4 %	2,471	(9.5%)
Carbonated beverage	2,155	2.2 %	2,110	(8.8%)
Functional beverage	1,238	23.3%	1,004	11.3%
Water	4,319	6.9 %	4,041	(3.1%)
Other	1,801	3.4 %	1,741	(5.3%)
Total	23,316	2.1%	22,826	(2.2%)
Container Type				
Can	3,541	(10.1%)	3,939	(5.5%)
Large-sized PET bottles (2L, 1.5L, etc.)	7,911	4.2%	7,589	(0.4%)
Small-sized PET bottles (500ml, 280ml, etc.)	9,700	5.4%	9,199	(1.3%)
Other	2,165	3.1%	2,099	(5.6%)
Total	23,316	2.1%	22,826	(2.2%)

4. Profit Details

(1) Normalized Operating Profit Details

(¥ billions)

	Year ended December 31, 2018, Actual	Year ended December 31, 2017, Actual	Increase (decrease)	
Normalized operating profit	199.3	194.6	4.7	2.4%
Japan Integrated Beverages	81.2	72.5	8.6	11.9%
Kirin Brewery	80.9	71.6	9.3	13.0%
Kirin Beverage	23.3	21.7	1.6	7.5%
Mercian	2.6	3.9	(1.4)	(34.4%)
Others *	(25.7)	(24.7)	(0.9)	-
Overseas Integrated Beverages	65.1	66.3	(1.3)	(1.9%)
Lion	51.7	52.6	(0.9)	(1.7%)
Beer, Spirits, and Wine	53.3	54.5	(1.2)	(2.2%)
Dairy and Drinks	5.1	5.4	(0.3)	(4.9%)
Corporate	(6.8)	(7.3)	0.5	-
Myanmar Brewery	10.1	9.9	0.2	2.1%
Others	3.3	3.9	(0.6)	(14.7%)
Pharmaceuticals and Bio-chemicals	58.8	62.2	(3.4)	(5.5%)
Kyowa Hakko Kirin	58.8	62.2	(3.4)	(5.5%)
Pharmaceuticals	50.4	55.0	(4.6)	(8.4%)
Bio-chemicals	8.1	7.2	0.9	13.1%
Others	0.3	0.0	0.2	2,223.7%
Other	0.4	0.9	(0.5)	(57.6%)
Corporate expenses/inter-segment eliminations	(6.1)	(7.3)	1.3	-

* Including expenses of the holding company and profit (loss) of other subsidiaries.

(2) Normalized Operating Profit Breakdown of Major Business Companies

(¥ billions)

Company name	Major factors	Increase (decrease)	Description
Kirin Brewery	Increase in marginal profit of alcohol beverages, etc.	4.8	Total beer products 2.7 Sales decrease in beer (37) thousand KL Sales decrease in *happo-shu* (33) thousand KL Sales increase in new genre 155 thousand KL Total other than beer products 3.0 Sales increase in RTD 42 thousand KL Sales decrease in non-alcohol beverages (2) thousand KL Difference of change in composite of products, etc. (0.9)
	Decrease in raw material cost of alcohol beverages	1.2	
	Decrease in selling expenses	4.8	Decrease in sales promotion 5.1, increase in advertising (0.2) (Total 66.9→62.1), etc.
	Increase in other expenses	(1.5)	Increase in supplies expenses, increase in electric cost and fuel cost, etc.
Total		9.3	
Kirin Beverage	Decrease in marginal profit of soft drink beverages	(1.6)	Increase in sales volume 4.91 million cases, 2.4 Difference of change in products mix and in composition ratio of containers, etc. (4.0)
	Decrease in raw material cost, etc.	0.3	Decrease in raw material cost 0.5, increase in material cost (0.7), decrease in processing cost 0.5
	Decrease in selling expenses	3.5	Decrease in sales promotion 0.9, decrease in advertising 2.6 (total 40.2→36.7)
	Increase in other expenses	(0.6)	Increase in depreciation of vending machines, etc.
Total		1.6	

(3) Other Operating Income and Other Operating Expenses

(¥ billions)

	Year ended December 31, 2018, Actual	Year ended December 31, 2017, Actual	Increase (decrease)
Other operating income	30.7	46.9	(16.1)
Gain on sale of shares of subsidiaries	12.1	2.4	9.7
Gain on sale of property, plant and equipment and intangible assets	12.4	34.3	(21.9)
Gain on reversal of impairment losses	3.4	-	3.4
Gain on transfer of business	-	4.8	(4.8)
Other	2.8	5.3	(2.5)
Other operating expenses	31.7	30.5	1.2
Impairment losses	3.4	8.0	(4.6)
Business restructuring expenses	7.0	6.7	0.3
Software development expenses	8.2	5.3	2.8
Loss on disposal and sale of property, plant and equipment and intangible assets	2.1	1.6	0.5
Other	11.0	8.8	2.2

(4) Finance Income, Finance Costs, Share of Profit of Equity-accounted Investees, etc.

(¥ billions)

	Year ended December 31, 2018, Actual	Year ended December 31, 2017, Actual	Increase (decrease)
Finance income	9.2	4.8	4.4
Interest income	2.2	1.8	0.4
Dividend income	3.3	2.8	0.4
Change in the fair value of contingent consideration	3.4	-	3.4
Other	0.3	0.2	0.2
Finance costs	8.9	11.1	(2.2)
Interest paid	5.7	6.5	(0.8)
Foreign exchange losses (net)	1.1	3.8	(2.8)
Other	2.1	0.8	1.3
Share of profit of equity-accounted investees	28.4	26.5	1.9
San Miguel Brewery	24.5	21.0	3.4
Others	4.0	5.5	(1.5)
Gain on sale of equity-accounted investees	19.8	2.4	17.3

5. Summary of Consolidated Statement of Cash Flows

(1) Summary of Statement of Cash Flows

(¥ billions)

	Year ended December 31, 2018, Actual	Year ended December 31, 2017, Actual	Increase (decrease)
Cash flows from operating activities	198.1	221.7	(23.7)
Profit before tax	246.9	233.7	13.1
Depreciation and amortization	67.9	68.9	(1.0)
Other	(116.7)	(80.9)	(35.8)
Cash flows from investing activities	47.4	63.2	(15.8)
Acquisition of property, plant and equipment and intangible assets	(87.9)	(88.8)	0.9
Other	135.3	152.0	(16.8)
Cash flows from financing activities	(226.7)	(182.2)	(44.5)
Increase (decrease) in interest-bearing liabilities	(68.4)	(147.3)	78.8
Dividends paid	(55.7)	(45.9)	(9.9)
Other	(102.5)	11.0	(113.5)
Exchange rate changes, etc.	(7.6)	(7.3)	(0.4)
Net increase (decrease) in cash and cash equivalents	11.1	95.5	(84.4)

(2) Information by Segment

As of December 31, 2018, Actual

(¥ billions)

	Japan Integrated Beverages	Overseas Integrated Beverages	Pharmaceuticals and Bio-chemicals	Other	Adjustment	Total
Depreciation and amortization	26.4	19.1	22.2	0.4	(0.1)	67.9
Acquisition of property, plant and equipment and intangible assets	37.0	29.2	20.4	0.9	0.4	87.9
Normalized EBITDA	107.5	96.8	81.0	0.8	(6.2)	279.9

As of December 31, 2017, Actual

(¥ billions)

	Japan Integrated Beverages	Overseas Integrated Beverages	Pharmaceuticals and Bio-chemicals	Other	Adjustment	Total
Depreciation and amortization	25.2	18.0	22.0	0.6	(0.0)	65.8
Acquisition of property, plant and equipment and intangible assets	31.4	31.7	22.3	1.5	(1.1)	85.9
Normalized EBITDA	97.8	96.2	84.2	1.4	(7.4)	272.3

As information by segment does not include discontinued operations, each total amount in the table does not match the corresponding amount in (1) Summary of Statement of Cash Flows.

Supplementary Documents to the Forecast Consolidated Business Results for the Year Ending December 31, 2019

1. Summary of Consolidated Statements of Profit or Loss, Indices, etc.
2. Revenue Details
3. Profit Details
4. Information by Segment

KIRIN HOLDINGS COMPANY, LIMITED

February 14, 2019

1. Summary of Consolidated Statement of Profit or Loss, Indices, etc.

(1) Summary of Statement of Profit or Loss, Indices, etc.

(¥ billions)

	Year ending December 31, 2019, Forecast	Year ended December 31, 2018, Actual	Increase (decrease)	
Revenue	2,000.0	1,930.5	69.5	3.6%
Normalized operating profit	190.0	199.3	(9.3)	(4.7%)
Other operating income	2.7	30.7	(28.0)	(91.3%)
Other operating expenses	30.2	31.7	(1.5)	(4.8%)
Operating profit	162.5	198.3	(35.8)	(18.1%)
Finance income	3.3	9.2	(5.8)	(63.6%)
Finance costs	6.4	8.9	(2.5)	(27.6%)
Share of profit of equity-accounted investees	30.6	28.4	2.1	7.5%
Gain on sale of equity-accounted investees	-	19.8	(19.8)	-
Profit before tax	190.0	246.9	(56.9)	(23.0%)
Income tax expense	51.0	51.6	(0.6)	(1.2%)
Profit	139.0	195.2	(56.2)	(28.8%)
Owners of the Company	120.0	164.2	(44.2)	(26.9%)
Non-controlling interests	19.0	31.0	(12.0)	(38.7%)
ROIC	8.8%	11.9%		
Normalized EPS	¥157	¥167	(¥10)	(6.0%)
Revenue (excluding liquor tax)	1,699.0	1,636.5	62.5	3.8%
Normalized operating profit ratio (excluding liquor tax)	11.2%	12.2%		
ROE	12.7%	17.5%		
Normalized EBITDA	273.7	279.9	(6.2)	(2.2%)
Gross Debt Equity Ratio	0.43	0.45		

ROIC = Profit after tax before interest / (Average total interest-bearing liabilities at beginning and end of the period + Average total equity at beginning and end of the period)

Normalized EPS = Normalized profit / Average number of shares outstanding during period

Normalized profit = Profit attributable to Owners of the Company ± Other operating income and expenses and other items after income taxes

Normalized EBITDA = Normalized operating profit + Depreciation and amortization* + Dividends received from equity-accounted investees

* Depreciation and amortization exclude those from lease assets newly recognized by new standard (IFRS16).

(2) Exchange Rate for the Consolidation of Profit or Loss of the Major Overseas Companies

(¥)

	Year ending December 31, 2019, Forecast	Year ended December 31, 2018, Actual
Lion (AUD)	80.00	81.80
Myanmar Brewery (MMK ('000))	73.00	76.88
CCNNE (USD)	110.00	110.36

(3) Period for the Consolidation of Profit or Loss of the Major Overseas Company

	Year ending December 31, 2019, Forecast	Year ended December 31, 2018, Actual
San Miguel Brewery	From October 2018 to September 2019	From October 2017 to September 2018

2. Revenue Details

(1) Revenue Details

(¥ billions)

	Year ending December 31, 2019, Forecast	Year ended December 31, 2018, Actual	Increase (decrease)	
Revenue	2,000.0	1,930.5	69.5	3.6%
Japan Beer and Spirits	700.3	685.1	15.2	2.2%
Kirin Brewery	682.0	668.1	13.9	2.1%
Other and elimination	18.3	17.0	1.3	7.8%
Japan Non-alcoholic Beverages	290.3	283.0	7.4	2.6%
Kirin Beverage	292.2	284.8	7.4	2.6%
Elimination	(1.9)	(1.9)	(0.0)	-
Oceania Integrated Beverages	329.1	329.5	(0.4)	(0.1%)
Lion	329.1	329.5	(0.4)	(0.1%)
Beer, Spirits, and Wine	185.8	185.4	0.4	0.2%
Dairy and Drinks	143.3	144.2	(0.8)	(0.6%)
Pharmaceuticals and Bio-chemicals	373.5	339.3	34.2	10.1%
Pharmaceuticals (Kyowa Hakko Kirin)	304.0	270.4	33.6	12.4%
Bio-chemicals (Kyowa Hakko Bio)	77.0	76.8	0.2	0.2%
Elimination	(7.5)	(8.0)	0.5	-
Other	306.8	293.7	13.1	4.5%
Mercian	66.7	64.8	1.9	2.9%
Myanmar Brewery	28.3	26.2	2.1	8.0%
CCNNE	138.1	131.7	6.3	4.8%
Other and elimination	73.8	71.0	2.8	3.9%

The Company resolved to acquire 95% of shares in Kyowa Hakko Bio Co., Ltd., a wholly-owned subsidiary of Kyowa Hakko Kirin Co., Ltd. at the Board of Directors' meeting held in February 2019. Reportable segments will be amended after April 2019 when the shares are transferred.

(Reference) Revenue excluding liquor tax

(¥ billions)

	Year ending December 31, 2019, Forecast	Year ended December 31, 2018, Actual
Kirin Brewery	398.1	389.7

(2) Sales Details of Major Business Companies

a. Kirin Brewery

	Year ending December 31, 2019		Year ended December 31, 2018	
	Forecast	Increase (decrease)	Actual	Increase (decrease)
Sales volume	Thousand KL		Thousand KL	
Beer	590	(0.0%)	590	(5.9%)
Happo-shu	420	(0.5%)	422	(7.3%)
New genre	735	5.2%	698	28.5%
Sub-total	1,745	2.0%	1,710	5.2%
RTD	390	8.5%	359	13.1%
Non-alcohol beverages	39	(0.8%)	39	(5.6%)

The above sales volume excludes exports and liquor tax exempts

b. Kirin Beverage Group

	Year ending December 31, 2019		Year ended December 31, 2018	
	Forecast	Increase (decrease)	Actual	Increase (decrease)
Category	10,000 cases		10,000 cases	
Black tea	5,339	2.9%	5,190	(2.0%)
Japanese tea	3,558	3.1%	3,451	11.8%
Coffee	2,929	11.3%	2,632	(14.5%)
Fruit and vegetable juice	2,509	(0.8%)	2,530	2.4%
Carbonated beverage	2,161	0.3%	2,155	2.2%
Functional beverage	1,178	(4.9%)	1,238	23.3%
Water	4,249	(1.6%)	4,319	6.9%
Other	1,678	(6.8%)	1,801	3.4%
Total	23,600	1.2%	23,316	2.1%
Container Type				
Can	3,574	0.9%	3,541	(10.1%)
Large-sized PET bottles (2L, 1.5L, etc.)	7,933	0.3%	7,911	4.2%
Small-sized PET bottles (500ml, 280ml, etc.)	9,969	2.8%	9,700	5.4%
Other	2,125	(1.8%)	2,165	3.1%
Total	23,600	1.2%	23,316	2.1%

3. Profit Details

(1) Normalized Operating Profit Details

(¥ billions)

	Year ending December 31, 2019, Forecast	Year ended December 31, 2018, Actual	Increase (decrease)	
Normalized operating profit	190.0	199.3	(9.3)	(4.7%)
Japan Beer and Spirits	84.7	82.7	2.0	2.4%
Kirin Brewery	83.5	80.9	2.6	3.2%
Others	1.2	1.8	(0.6)	(31.9%)
Japan Non-alcoholic Beverages	24.0	23.3	0.7	2.9%
Kirin Beverage	24.0	23.3	0.7	2.9%
Oceania Integrated Beverages	48.2	51.8	(3.6)	(7.0%)
Lion	48.2	51.8	(3.6)	(7.0%)
Beer, Spirits, and Wine	52.1	53.3	(1.2)	(2.3%)
Dairy and Drinks	5.7	5.1	0.5	10.0%
Corporate	(9.6)	(6.7)	(3.0)	-
Pharmaceuticals and Bio-chemicals	62.0	58.8	3.2	5.5%
Pharmaceuticals (Kyowa Hakko Kirin)	54.0	50.4	3.6	7.1%
Bio-chemicals (Kyowa Hakko Bio)	8.0	8.1	(0.1)	(1.6%)
Others	-	0.3	(0.3)	-
Other	18.4	19.0	(0.6)	(3.3%)
Mercian	2.5	2.6	(0.0)	(1.9%)
Myanmar Brewery	9.5	10.1	(0.6)	(5.9%)
CCNNE	3.8	2.8	1.0	33.5%
Others	2.5	3.5	(0.9)	(27.0%)
Corporate expenses and inter-segment eliminations	(47.3)	(36.3)	(11.0)	-

From the forecast consolidated business results for the year ending December 31, 2019, each normalized operating profit in each segment is calculated by adding back management fees paid to the Company to normalized operating profit.

(2) Normalized Operating Profit Breakdown of Major Business Companies

(¥ billions)

Company name	Major factors	Increase (decrease)	Description
Kirin Brewery	Increase in marginal profit of alcohol beverages, etc.	2.5	Total beer products 0.5 Sales decrease in beer (0) thousand KL Sales decrease in *happo-shu* (2) thousand KL Sales increase in new genre 37 thousand KL Total other than beer products 2.6 Sales increase in RTD 31 thousand KL Sales decrease in non-alcohol beverages (0) thousand KL Difference of change in composite of products, etc. (0.6)
	Increase in raw material cost of alcohol beverages	(0.3)	
	Decrease in selling expenses	0.1	Decrease in sales promotion and advertising (Total 62.1→62.0), etc.
	Decrease in other expenses	0.3	Decrease in allocated corporate expenses, 2.4 Increase in depreciation, increase in electric cost and fuel cost, etc.
Total		2.6	
Kirin Beverage	Increase in marginal profit of soft drink beverages	3.7	Increase in sales volume 2.84 million cases, 1.3 Difference of change in products mix and in composition ratio of containers, etc. 2.3
	Increase in raw material cost, etc.	(1.1)	Decrease in raw material cost 0.1, increase in material cost (0.9), increase in processing cost (0.3)
	Increase in selling expenses	(1.9)	Increase in sales promotion (1.2), increase in advertising (0.7) (total 36.7→38.6)
	Increase in other expenses	(0.0)	Decrease in allocated corporate expenses, 0.8 Increase in depreciation of vending machines, etc.
Total		0.7	

4. Information by Segment

Year ending December 31, 2019, Forecast

(¥ billions)

	Japan Beer and Spirits	Japan Non-alcoholic Beverages	Oceania Integrated Beverages	Pharmaceuticals and Bio-chemicals	Others	Adjustment	Total
Depreciation and amortization	11.9	6.7	13.7	22.9	8.3	6.3	69.8
Acquisition of property, plant and equipment and intangible assets	14.0	10.3	20.0	27.0	25.1	18.8	115.2
Normalized EBITDA	96.8	30.7	61.9	85.0	40.3	(41.0)	273.7

Depreciation and amortization exclude those from lease assets newly recognized by new standard (IFRS16).

Normalized EBITDA of each reporting segment is calculated as below.

Normalized EBITDA = Normalized operating profit before management fee + Depreciation and amortization + Dividends received from equity-accounted investees

Year ended December 31, 2018, Actual

(¥ billions)

	Japan Beer and Spirits	Japan Non-alcoholic Beverages	Oceania Integrated Beverages	Pharmaceuticals and Bio-chemicals	Others	Adjustment	Total
Depreciation and amortization	12.5	6.0	12.5	22.2	9.7	5.1	67.9
Acquisition of property, plant and equipment and intangible assets	14.4	7.0	20.7	20.4	13.1	12.3	87.9
Normalized EBITDA	95.1	29.3	64.3	81.0	41.3	(31.2)	279.9

Normalized EBITDA of each reporting segment is calculated as below.

Normalized EBITDA = Normalized operating profit before management fee + Depreciation and amortization + Dividends received from equity-accounted investees